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What Is the HAFA Short Sale Program?

HAFA Short Sale Program Explained

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DEFINITION:

The **Home Affordable Foreclosure Alternatives (HAFA) short sale program**, effective from April 5, 2010, through Dec. 31, 2016, was a government-sponsored program designed to ease the process of real estate short sales. It pre-approved a price and gave the homeowner four months to sell.

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What Is the HAFA Short Sale Program?

The HAFA short sale program initially promised short sale approval within 10 days and gave the seller up to \$10,000 to help with relocation at closing.^[1] HAFA was part of President Obama's Making Home Affordable Program.

The program accepted no new applications after December 31, 2016, and existing files needed to close by December 1, 2017.^[2]

How the HAFA Short Sale Program Worked

The first step was for a borrower to apply to the Home Affordable Modification Program (HAMP), which has also ceased accepting applications. The federal government offered the Home Affordable Refinance Program (HARP) as a mortgage refinance option through the end of 2018.

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These were the rules to be eligible for the now-defunct HAMP program:

- Only personal residences are eligible.

- The mortgage amount must be less than \$729,750.

- The borrower suffers a hardship such as loss of income, an increased mortgage payment, or an unexpected increase of expenses.

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- The mortgage originated before Jan. 1, 2009.

If any of the five rules did not apply, then the borrower was not eligible for HAMP. Once HAMP turned you down, you became eligible for HAFA. Or, if accepted into HAMP, and you stopped making loan modification payments, you could apply to HAFA.^[4]

Note

Once the borrower was rejected for a loan modification through the HAMP Program, the borrower was then eligible to apply to the HAFA Short Sale program or pursue a Deed in-Lieu-of Foreclosure.

HAFA would pre-approve the price of that short sale and give the seller four months to sell the property through a real estate agent. Here are the eligibility requirements:

Personal residences and non-owner properties were eligible for HAFA.

The mortgage amount must be less than \$729,750.

The seller must be behind or about to fall behind on the mortgage.

The mortgage originated before January 1, 2009.

Sellers who have government loans may qualify under a different program.^[5]

Benefits of a HAFA Short Sale

After a seller had jumped through these hoops, second lenders could no longer try to force a seller to commit short sale mortgage fraud by demanding payments outside of escrow. These were other HAFA benefits:

Lenders that participate in HAFA waived the right to a deficiency judgment.

Junior lenders could receive up to \$12,000 of the loan balance to release the loan.

Sellers received a government payment of \$10,000 at close of escrow to cover relocation expenses, providing the home was owner-occupied.

Sellers would not be required to make a seller contribution.

Lenders would agree not to foreclose during the short sale process.

ratio.^[6]

Another condition of HAFA was that all parties must sign an arm's length affidavit. In other words, the seller could not sell to a person the seller knows or to whom the seller was related. The buyer must also agree not to sell the property for a minimum of 90 days.^[7]

Alternatives to the HAFA Short Sale Program

Although these government programs are no longer available, homeowners can try to qualify for a foreclosure avoidance program through the owner or servicer of their loan, such as Fannie Mae or Freddie Mac. One example is the Flex Modification program. Lenders may also offer in-house or proprietary modification programs, repayment plans, or forbearance agreements, so check with your lender for options.

Very few borrowers qualify for a loan modification and many short sales are for sellers who were rejected for a loan modification.



Key Takeaways

to ease the process of real estate short sales.

It was effective from April 5, 2010 through December 31, 2016.

Homeowners seeking relief must now work directly through their lender.

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 Woman looking worried holding paperwork at home. She is reading a financial bill or a letter with bad news. She looks very stressed and upset. There is a laptop computer on the table.

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front of her and the other raised up near her face

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